ATTACHMENT A

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Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
1 South Station, Second Floor
Boston, MA 02110

Re: Distributed Generation, DTE 02-38

Dear Secretary Cottrell:

MeadWestvaco Corporation ("MeadWestvaco") has actively participated in this proceeding and wants to bring to the attention of the Department of Telecommunications and Energy ("Department") its concerns about the Collaborative process mandated by the Department in its Order of October 3, 2002 in DTE 02-38-A. MeadWestvaco filed extensive comments on August 1, 2002 in response to the Notice of Inquiry issued by the Department on June 13, 2002. In addition, it has participated through counsel in the Distributive Generation Collaborative ordered by the Department. As noted in the Initial Report filed by the DG Collaborative on December 16, 2002, MeadWestvaco's counsel attended four of the six meetings. MeadWestvaco also provided the DG Collaborative written comments of its position for the two meetings it could not attend. A copy of those comments are attached as Exhibit A.

MeadWestvaco has sought to improve the process in Massachusetts for the interconnection of distributed generation in excess of 2 MWs to the distribution system[1] to encourage development of on-site, customer owned generation, particularly Qualifying Facilities ("QFs") under the Public Utility Regulatory Policy Act of 1978 ("PURPA"). The Massachusetts

[1] Under Massachusetts law "distribution" is defined as "the delivery of electricity over lines which operate at a voltage level typically equal to or greater than 110 volts and less than 69,000 volts to end-use customers within the commonwealth."

DG regulations should complement the process under development at the Federal Energy Regulatory Commission ("FERC") in *Standardization of Small Generation Interconnection Agreements and Procedures,* Docket No. RM02-12-000. ("ANOPR")

The Massachusetts distributed generation regulations contemplated in this proceeding will apply only to distributed generation interconnections to the **distribution system**. While there maybe a jurisdictional question of when the interconnection is subject to FERC rather than Department jurisdiction and whether and where the final interconnection agreement is filed, the applications, procedures and agreements should be comparable. In fact, the timing and costs for interconnections subject to the Department's jurisdiction should be less than but no more than those subject to FERC jurisdiction.

The starting point to compare and to measure improvement in the interconnection process in Massachusetts in this proceeding are the current QF interconnection procedures in 220 CMR 8.00 *et. seq.* ("QF Interconnection Regulations"). The current QF Interconnection Regulations allow each utility to file its own interconnection procedures. The Department recognized in its Order Opening Investigation Into Distributed Generation in DTE 02-38 (June 13, 2002) that "the lack of uniformity and uncertainty regarding interconnection standards and back-up rates could be inhibiting the installation of distributed generation in Massachusetts." At page 2. A uniform interconnection procedure for all utilities in Massachusetts consistent and/or compatible with the FERC procedures will remove one major barrier to development of cost-effective distributed generation. All parties to the Collaborative seem to concur with this objective.

The process to reach a uniform interconnection procedure for distributed generation in Massachusetts has been very costly and time-consuming. There have already been six meetings of the Collaborative and five more are scheduled. The Standard Review process for projects of 2 MWs or greater in the Interim Report of the Collaborative, has not been streamlined or improved from those under the QF Interconnection Regulations. There has been no reduction in the processing time, improvement in the dispute resolution process comparable to the FERC consensus filing of November 12, 2002 in the ANOPR, or more certainty in the cost of the process to be paid by the applicant to avoid unnecessary and burdensome disputes and delays.

The Collaborative has met six times and the Interim Report requested an additional period of time through the end of February 2003 to submit a Final Report. The Collaborative has scheduled five more meetings. This process is much too protracted and costly for customer participation. In addition, it should be noted that neither the Attorney General's Office nor the Department's staff has attended any of the meetings.

The time schedule to process an interconnection application under the QF Interconnection Regulations is 45 days for an initial site inspection, 220 CMR 8.04(2) and if

additional studies are necessary to complete interconnection facility cost estimates an additional 90 days, 220 CMR 8.04(3), for a total of 135 days. The Interim Report indicates that the processing time schedule for Standard Interconnection Initial Review is between 125/150 business days. See Table 1 at page 6 of Initial Report. As the current QF Interconnection Regulations do not indicate that the days are "business days" they must be inferred to be calendar days. The Interim Report indicates that the days in the Interim Report are "business days." This change from calendar to business days increases the time schedule to process DG interconnection applications by almost 50%. This is a step backward and should not be accepted by the Department. The time schedule in the Interim Report is significantly longer than the processing time schedule proposed by the Small Generation Coalition in Attachment B to the consensus document submitted to FERC in the ANOPR on November 12, 2002, for distribution interconnections for the initial utility review, scoping meeting, Distribution Impact Study and Facility Study (with system upgrades) of 80 business days and longer than the Interconnection Providers schedule of 110 days. See Attachment B Procedures.[2]

The costs for the Standard Review in the Interim Report includes an applicable fee of up to $2,500.[3] There is no application fee under the QF Interconnection Regulations. 220 CMR 8.04(2). Again, a step backwards.

Next, the Interim Report indicates that the processing costs for studies necessary to determine the interconnection facility costs are based on actual utility costs. This is the same as under the QF Interconnection Regulations. MeadWestvaco proposed that in order to avoid disputes related to the amount of the study costs that a "not to exceed" figure of $20,000 for such studies including any application fee, which was designed to cover the highest utility reported costs for interconnection studies on radial lines. A "not to exceed" figure would provide more certainty to customers and could be modified in the future if the utilities are able to demonstrate that the processing costs for such facilities are more. In addition, MeadWestvaco proposes that fifty percent of the study costs be paid initially and the balance at the "timely" conclusion of the studies. If the utility does not complete the studies is a timely manner without good-cause, all or a portion of the balance should be abated. Without a financial incentive to keep costs under control and to prepare the studies in a timely manner the process maybe delayed and the costs charged to the applicant inflated.

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[2] These days exclude the time for utility preparation of various study agreements and customer acceptance. The Department should further streamline the process and avoid the wasted time of preparation of multiple study agreements. One master agreement should cover the terms of all necessary studies (i.e. Feasibility, Impact-transmission and/or distribution and Facility studies) and a single page description of services and costs should suffice. This will reduce unnecessary processing delays.

[3] $3.00 per kW with a maximum fee of $2,000. Table 2.

The Collaborative in its Interim Report has not proposed to reduce the processing time or provide any customer certainty for study costs. To date the MeadWestvaco positions have been ignored.[4] There is no basis to increase interconnection processing time or to create an additional stream of revenue for the utilities. In addition, a dispute resolution process which contemplates a resolution of a dispute within 14 days as set forth in Section 1.11 of Attachment B in the FERC ANOPR consensus filing should the goal in Massachusetts.

MeadWestvaco suggests that the Department become more pro-active in the process and require the Collaborative and/or the utilities to show cause why the Standard Review process can not be streamlined and a "not to exceed" cost for Impact and Facility studies of $20,000 be established for radial interconnection applications. Draft regulations for comment should be issued no later than March 15, 2003 for implementation by June 1, 2003.

MeadWestvaco will await the final report from the Collaborative and reserves its rights to file additional comments, but cannot cost-justify attendance at five additional meetings.

In addition, it is imperative that the Department clarify back-up rates applicable to distributed generation. Cost-based rates must be established before any significant distributed generation can be implemented.

Very truly yours,

Andrew J. Newman

Attorney for MeadWestvaco Corporation

AJN/lms

cc: Distributive Collaborative
William Stevens, Hearing Officer
Ronald LeComte, Director, Electric Power Division
Kevin Brannelly, Director, Rates and Revenue Requirements
Paul Afonso, General Counsel

[4] At the last meeting it was indicted that the "not to exceed" concept was rejected by the Collaborative.